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Message Text

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ACTION EA-12

INFO OCT-01 ISO-00 OES-07 SOE-02 AID-05 CEA-01 CIAE-00
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C O N F I D E N T I A L SEOUL 3025

EA/K FOR RICH; DEPT FOR OES/NET/IM FOR D HOYLE; DOE FOR R WILLIT

E.O. 11652: GDS
TAGS: ENRG, TECH, KS
SUBJ: WASHINGTON VISIT OF MINISTER CHANG

REF: A) STATE 86621, B) SEOUL 2716, C) SEOUL 3554

SUMMARY. FOCUS OF CHANG VISIT HAS SHIFTED TOWARD POLICY-LEVEL PROBING OF US RELIABILITY AS NUCLEAR FUEL AND TECHNOLOGY SUPPLIER. UNCERTAINTIES IN THIS MATTER ARE BEING EMPHASIZED BY FOREIGN REACTOR SUPPLIERS AND CANDU REACTOR PROPONENTS WITHIN ROKG. POSITIVE EFFECT OF STRONG DOE-MER COMMUNIQUE CONCERNING US-ROKG ENERGY COOPERATION WOULD COUNTERACT KOREAN MISCONCEPTIONS ALONG THESE LINES. CHANG TEAM MEMBERS WERE SELECTED FOR POLICY DISUCSSIONS RATHER THAN TECHNICAL ANALYSIS OF US AND KOREAN ENERGY PROBLEMS. NEGATIVE OUTCOME OF CHANG US VISIT COULD HAVE DIRECT BEARING UPON SELECTION OF REACTOR AND FUEL SUPPLIER FOR NUCLEAR POWER PLANTS 7 AND 8.

1. RECENT CONVERSATIONS WITH RANKING MER OFFICIALS HAVE
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SURFACED SEVERAL CONCERNS WHICH BOTH UNDERSCORE IMPORTANCE OF CHANG VISIT AND REFLECT ILL-INFORMED OPINIONS AMONG ROKG OFFICIALS WHICH VISIT HOPEFULLY WILL DISPEL. HOLD UP OF KORI II FINANCING, THREAT BY SENATOR STEVENSON TO HOLD KORI 3 & 4 HOSTAGE FOR FORMER AMBASSADOR KIM DONG JO, AND CURRENT DELAY IN APPROVAL OF HIGHLY-ENRICHED URANIUM FOR KAERI RESEARCH REACTOR ARE CONSIDERED BY KOREANS AS

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INDICATIONS OF US UNRELIABILITY. THE NEW NUCLEAR NON-PROLIFERATION ACT IN THEIR EYES HOLS ALL KINDS OF POLITICAL THREATS, INCLUDING (1) IMPOSITION OF US INSPECTORS VICE IAEA INSPECTORS IF THE US DECIDES TO INVOKE THE ACT, AND (2) THE NECESSITY TO NEGOTIATE A NEW ENRICHMENT CONTRACT, PERHPAS THE FIRST UNDER THE NEW ACT, AT A TIME WHEN KOREA'S REPUTATION IN WASHINGTON IS AT ITS NADIR.

2. IN TERMS OF BOTH TIME AND PRICE ROKG SHOULD LOGICALLY PICK UP WESTINGHOUSE OPTION TO PROVIDE ADDITIONAL TWO REACTORS, OFFERED IN CONNECTION WITH KORI 3 & 4, SINCE ROKG IS ABOUT TO UNDERTAKE TIME-CONSUMING AND EXPENSIVE INTERNATIONAL BID FOR NUCLEAR PLANTS 7 & 8. ALTERNATIVIELY, CANCELLED VEPCO REACTORS (REFTEL C) OFFER PROBABLE LARGE PRICE ADVANTAGES. HOWEVER, ROKG HAS APPARENTLY DECIDED TO HOLD OPEN EUROPEAN SOURCES (FRANCE AND GERMANY) AT LEAST UNTIL IT FEELS SATISFIED ABOUT THE US AS A SOURCE FOR BOTH REACTORS AND FUEL OR IT HAS FOUND AN ALTERNATIVE FUEL SOURCE (E.G., IN CANDADA OR AFRICA). SOME IN ROKG ARE ALSO ADVOCATING BUYING FRENCH NOW IN ORDER TO GUARANTEE ACCESS TO BREEDER TECHNOLOGY WHICH ROKG OFFICIALS THINK MAY BECOME COMMERCIAL BY 1985. THUS, CHANG VISIT CAN POSSIBLY BECOME THE DETERMINING ELEMENT IN CONTINUED US SALES OF REACTORS HERE AND IN CLOSE AND GROWING COOPERATION WITH THE US IN THE NUCLEAR AREA; IT COULD ALSO REINFORCE A GROWING TENDENCY ON THE PART OF CONFIDENTIAL

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THE ROKG TO LOOK ELSEWHERE.

3. IN ADDITION, AFTER LEAVING WASHINGTON, CHANG'S GOURP WILL VISIT CANDADA OFFICIALLY FOR PURPOSE OF RESOLVING SCHEDULE PROBLEMS AT THE WOLSANG I (CANDU) PLANT, WHERE CONSTRUCTION (POURING CONCRETE FOR THE REACTOR AND CONTAINMENT BUILDING FOUNDATION HAS JUST BEEN COMPLETED) IS NOW TEN MONTHS BEHIND SCHEDULE. CHANG WILL ALSO DISCUSS WITH CANADIANS ASSURANCES REGARDING URANIUM (YELLOWCAKE) AVAILABILITY FOR POWER REACTORS (THE CANADIANS GUARANTEED FIFTEEN YEAR SUPPLY OF URANIUM FOR WOLSANG I), AND POSSIBILITIES OF ASSURED LONG-TERM BITUMINOUS COAL SUPPLIER (KECO IS BUILDING TWO 500 MWE COAL FIRED POWER PLANTS AT SAMCHON-PO ON THE SOUTH COAST MIDWAY BETWEEN MASAN AND SUHCHON).

4. EMBASSY IS AWARE THAT HARD-DRIVING MINISTER HAS HAD NEWLY APPOINTED PRESIDENT HYUN KYUNG-HO OF KOREA ATOMIC ENERGY RESEARCH INSTITUTE MEETING WITH MER STAFF TO EXPLAIN ADVANTAGES AND DISADVANTAGES OF CANDU TYPE REACTORS. HYUN IS AN ADVOCATE OF CANDU REACTOR FOR MANY REASONS, PRINCIPAL OF WHICH IS LOWE FUEL PERFOR-

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MANCE REQUIREMENTS WHICH MAKE ESTABLISHMENT OF A DOMESTIC FUEL FABRICATION AND PERFORMANCE TESTING CAPABILITY FEASIBLE IN LESS TIME THAN REQUIRED FOR LIGHT WATER REACTOR FUEL. HUN CAN BE EXPECTED TO EMPHASIZE ADVANTAGES AND MINIMIZE DISADVANTAGES OF THE CANDU. HE IS MOST KNOWLEDGEABLE CONCERNING GAS-COOLED, GRAPHITE-MODERATED REACTORS OF BRITISH DESIGN, THE CANDU AND FAST BREEDER REACTORS.

5. THESE DEVELOPMENTS AND COMMENTS BY ROKG OFFICIALS POINT TO CHANG VISIT AS A MAJOR OCCASION FOR SHAPING ROKG PERCEPTIONS OF ITS RELATIONSHIP WITH US IN ENERGY FIELD. MER SOURCES INDICATE CHANG WILL HOPE TO OBTAIN POLITICALLY PERSUASIVE ASSURANCES THAT US EXPECTS TO MAINTAIN ITS STATUS AS MAJOR
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AND RELIABLE SUPPLIER OF NUCLEAR FUEL AND TECHNOLOGY, WITH NO POLITICAL STRING ATTACHED. TO THIS END HE WILL BE SEEKING A COMMUNIQUE STATING THE INTENT OF THE TWO COUNTRIES TO COOPERATE IN ENERGY MATTERS, LEAVING MODUS OPERANDI TO EXISTING OR IMPLEMENTING AGREEMENTS IN REFTEL A. EMBASSY SUPPORTS THIS APPROACH AND WOULD APPRECIATE RECEING SONEST DRAFT COMMUNIQUE LANGUAGE FOR DISCUSSION WITH ROKG IN ADVANCE OF CHANG'S DEPARTURE.

6. FOR WASHINGTON VISIT MINISTER CHANG WILL BE ACCOMPANIED BY FOLLOWING INDIVIDUAL'S: DR LEE BONG-SUH, ASSISTANT MINISTER FOR PLANNING AND MANAGEMENT, MER; DR YOON SUK-KOO, DIRECTOR GENERAL, NATURAL RESOURCES DEVELOPMENT BUREAU, MER; MR KWON YOUNG-DAL, CHIEF, PLANNING DIVISION, PLANNING BUREAU, MER; MR HAN JOON-HO, CHIEF SECRETARY TO MINISTER CHANG; MR SUNG NACK-CHUNG, EXECUTIVE VICE PRESIDENT, KOREA ELECTRIC CO. (KECO).

7. AS FURTHER EVIDENCE OF SHIFT IN PURPOSE OF VISIT DR KIM YOON-HYUN, MER'S MOST KNOWLEDGEABLE ENERGY ANALYST, WILL NOT BE MAKING THE TRIP AS PLANNED ORIGINALLY. WITHOUT KIM'S INPUT THE VALUE OF A FULL DAY DOE-MER CONFERENCE IS GREATLY DIMINISHED SO ROKG REQUESTS AND EMBASSY RECOMMENDS BRIEFER PERIOD, FOCUSSED ON POLICY DISCUSSIONS, RATHER THAN TECHNICALLY ORIENTED TREATMENT OF ENERGY PROGRAMS.

8. IN ADDITION TO NOTABLES NAMED IN REFTEL B, MINISTER CHANG WOULD APPRECIATE OPPORTUNITY TO MEET WITH AMBASSADOR ELLIOT RICHARDSON WHO IS A LONG-STANDING AND VALUED ACQUAINTANCE, IF HE SHOULD RETURN FROM GENEVA IN TIME.
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